

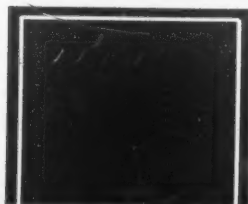


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1991 AMA Survey on Downsizing and Assistance to Displaced Workers

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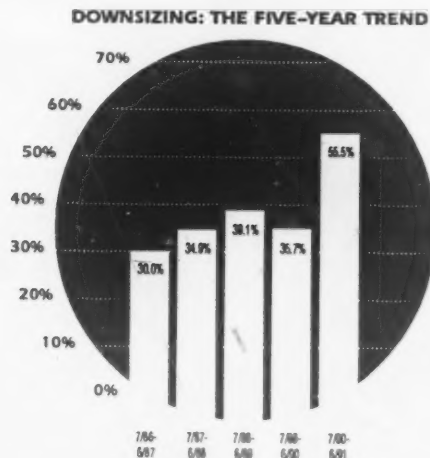
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Downsizing and Assistance to Displaced Workers

In the 1980s, workforce reductions became a way of life for the American corporation. Compelled to cut costs by a variety of factors — international competition, high interest rates, and pressures to improve profit levels — many transformed "downsizing" into an ongoing corporate activity, carried out year after year without regard to current financial performance. Indeed, among companies reporting workforce reductions from 1986 to 1991, 75% were profitable in the year (or years) in which reductions took place.

But stakeholders — the wider community surrounding the corporation, including not only a company's employees and their families but also its customers, its suppliers and subcontractors, its unions, and the state and local governments affected by its operations — reacted to this changing environment by demanding higher levels of assistance for discharged workers. Companies themselves explored various options to outright discharge: early retirement packages, voluntary separation plans, and intra-company transfers. A structure of support arose within and around the organization to help those whose jobs were eliminated.



By 1990, recession was taking its toll on employment. But the same support structures put in place to help discharged workers in good times were available to those fired for the oldest of reasons: a business downturn.

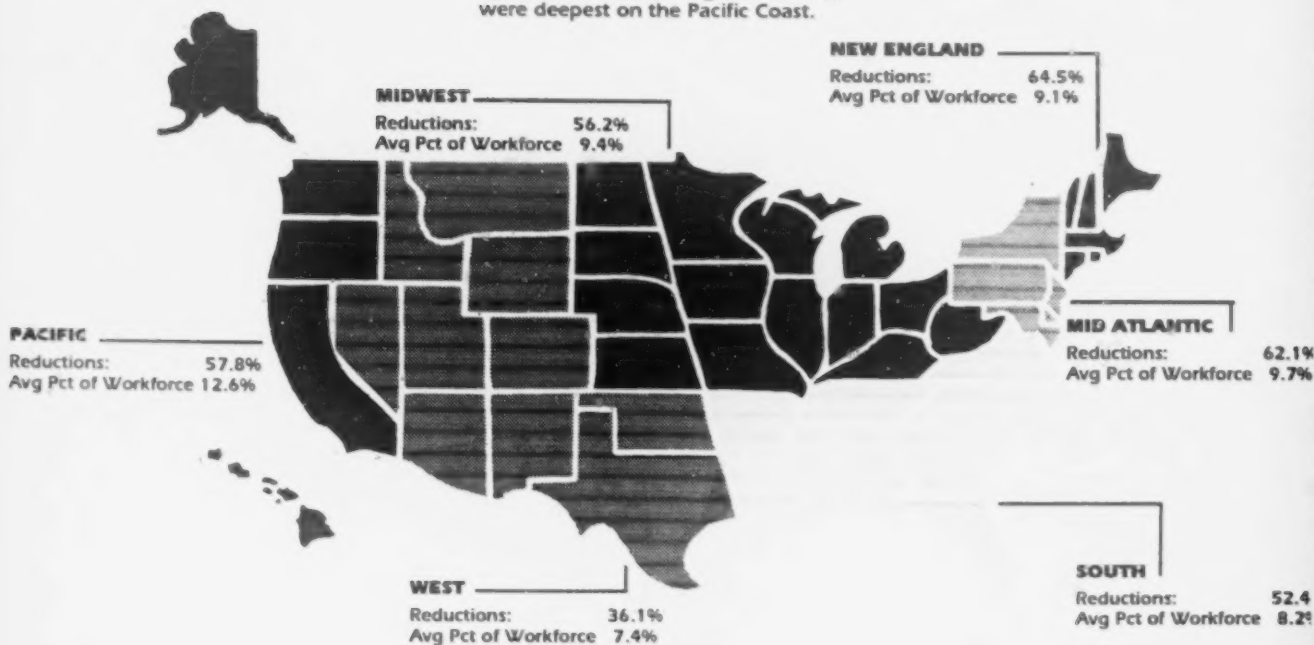
For five years, AMA has traced these trends with surveys taken annually in June. Our 1991 effort found a record number of companies reporting workforce reductions over past twelve months. Some forms of assistance, notably outplacement services, also reached new highs. But many firms that downsize due to recession lack the resources to provide other types of support. An ebb tide lowers all boats.

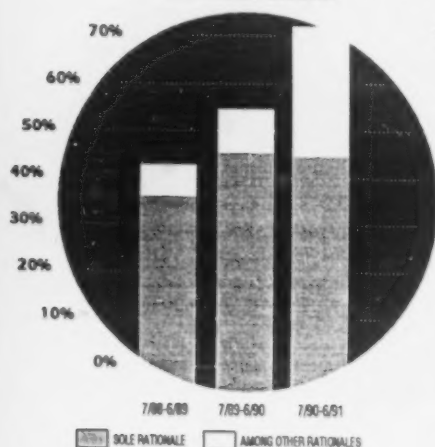
Summary of Key Findings

While the share of companies reporting reductions increased dramatically, the average percentage of the workforce eliminated declined to 9.6% from the previous year's 10.9%. The reason: large companies, frequently engaging in a second or third wave of reductions, cut fewer workers this time around. While more companies of every size eliminated **some** jobs, only firms employing fewer than 100 people made **deeper** cuts than before.

Half of the firms reporting cuts added workers in other divisions or locales. As a result, 10% of the firms reporting reductions realized a net **gain** in employees over the period, while another 11% saw no net change.

New England led the nation in reported reductions, closely followed by the Mid-Atlantic region. But cuts were deepest on the Pacific Coast.

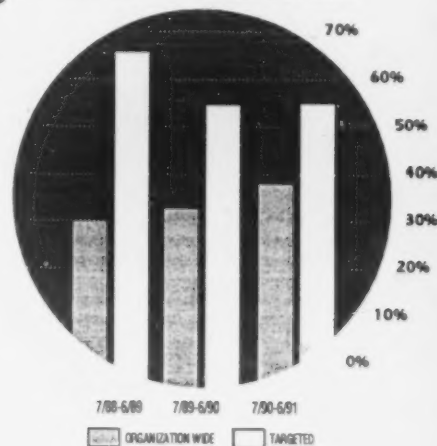


BUSINESS DOWNTURN AS RATIONALE
FOR REDUCTIONS

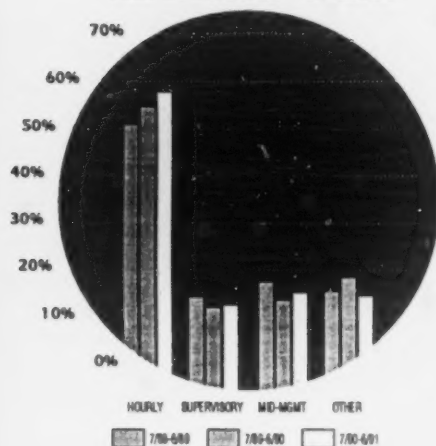
Rationales: Prior to 1990, the majority of reductions were due to mergers and acquisitions, transfers of work to other locales, and especially "improved staff utilization" — doing more work with fewer people. That changed with the onset of recession: a business downturn was responsible (in whole or in part) for 55% of the cutbacks reported in June 1990 and 73% of those reported in June 1991.

Descriptors: Only a third of reported reductions were "across the board," affecting most organizational units and locales. Most were targeted at specific functions or worksites. Even in recession, a majority of cuts are performed with a scalpel, not a meat-axe.

DESCRIPTORS OF REDUCTIONS

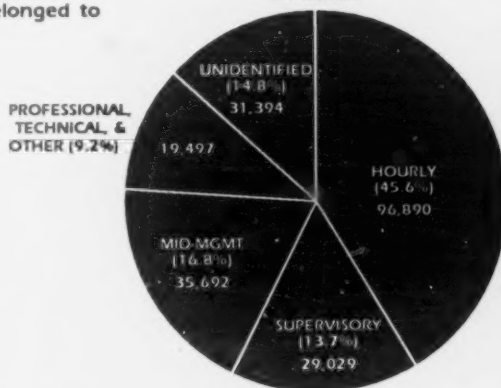


JOBS ELIMINATED - BY LEVEL

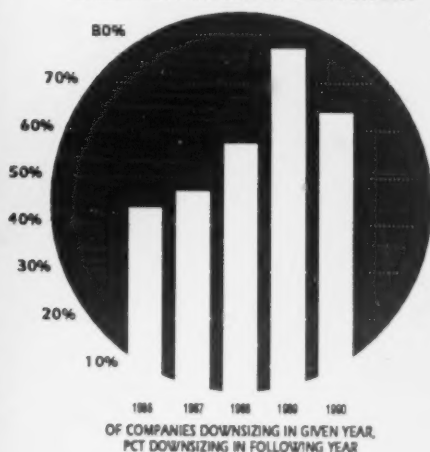


◀ Middle managers continue to bear the brunt of job losses. While middle managers make up from 5% to 8% of the nation's workforce, they averaged 16.2% of those discharged in the past twelve months. "Others" include professionals, technicians, and exempt workers with no direct managerial responsibilities.

Of 212,000 jobs cut by respondent firms over the past three years, more than 35,000, or 16.8%, belonged to middle managers.

TOTAL JOBS CUT, 1989-91
BY LEVEL

ONGOING NATURE OF REDUCTIONS

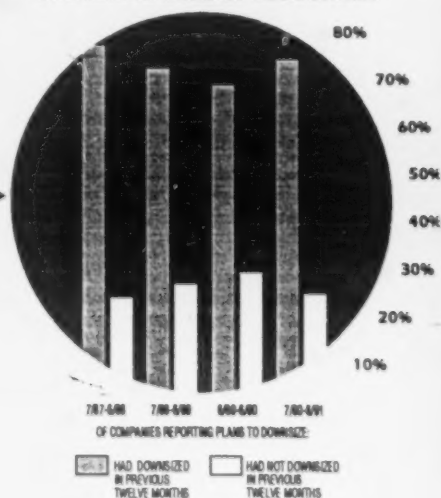


Survey findings underline the ongoing nature of workforce reductions. On average, 58% of the firms that downsized in a given year repeated the exercise in the following year.

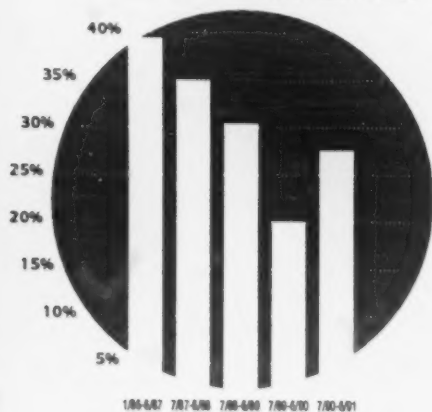
Other survey statistics confirm this pattern:

- 60% of surveyed firms that cut jobs in calendar 1990 downsized again in the first six months of 1991.
- 73% of surveyed firms that cut jobs in calendar 1991 had downsized in one or more of the previous five years.
- 21% of surveyed firms downsized at least three times in the past six years; an additional 23% downsized twice.
- Annually since June 1988, an average of 73% of those reporting plans to downsize in the **following** twelve months had downsized in the **preceding** twelve months.

ONGOING NATURE OF REDUCTIONS



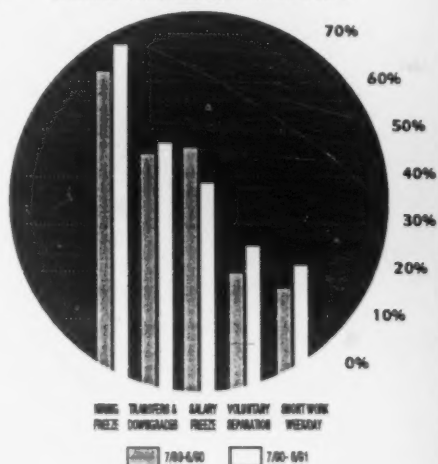
OFFERED EARLY RETIREMENT PLAN



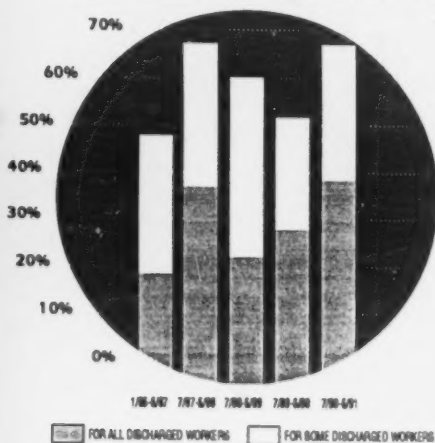
Companies pursue a variety of policies to prevent or reduce the need for outright discharge. Early retirement plans were foremost among such policies five years ago, but have lost favor due to oversubscription and the tendency to "lose people you want to keep, and keep people you want to lose."

Other policies have held steady. Hiring and salary freezes and mandatory short work-week or work-day plans are more likely to come into play when cutbacks are due to a business downturn; voluntary separation plans and intra-company transfers are more frequent when companies downsize for other reasons.

OTHER PREVENTIVE MEASURES



OFFERED OUTPLACEMENT ASSISTANCE



As recession approached, companies cut back in offering outplacement services — until the past year, when outplacement matched its previous high. Two-thirds of those reporting reductions rendered outplacement assistance. More than half of these firms did so for **all** of their discharged employees.

It should be noted, however, that outplacement services covers a very wide range of possibilities, from providing short training sessions and lists of approved counsellors to individualized and ongoing help until a new job is found.

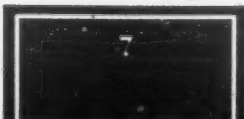
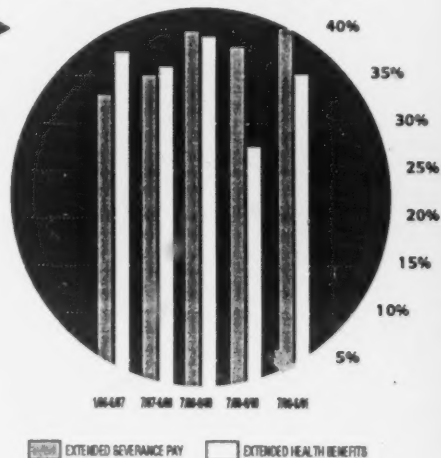
Other forms of assistance:

■ 28% of firms reporting reductions gave extended severance packages to **all** departing workers, and 13% did so for **some** of those discharged.

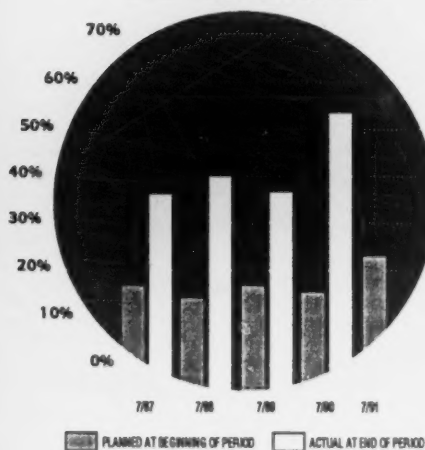
■ 26% offered extended health benefits to all departing workers, and 10% did so for some.

All such forms of assistance were more likely to go to managers than hourly workers.

OTHER FORMS OF ASSISTANCE

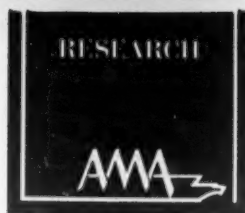


DOWNSIZING: PLANNED & REPORTED VS. ACTUAL



◀ The AMA questionnaire asks about future plans as well as past actions. 22% of surveyed firms reported plans already in hand to make cuts in the twelve months from July 1991 to June 1992.

While this figure is far lower than the 55% that downsized from July 1990 to June 1991, it is **not** an indication that there will be fewer cut-backs in the coming year. Typically, the actual number of companies that downsize in a given period is more than double the number that report plans in hand at the beginning of the period; in June 1990 only 15% of surveyed firms planned future cuts, but nearly four times as many firms reported actual reductions in June 1991. This year's finding is a distant early warning of the numbers that will come.



About this Survey

The 1991 AMA questionnaire on downsizing and assistance to displaced workers was mailed on June 18, 1991, to 9,693 human resources managers who are AMA members or work in AMA-member companies. By July 15, we had received 910 usable responses, a return rate of 9.4%.

An AMA membership poll is not reflective of the American economy as a whole. Only 2% of the nation's incorporated businesses gross as much as \$10 million annually; of the sample for this survey, 86% have annual sales of \$10 million or more. Also, while 20% of American businesses are engaged in manufacturing, 44% of this survey's sample are manufacturers. The current sample is not identical to those of previous years, but is sufficiently similar to allow year-to-year comparisons.

The sample presents the following statistical profile:

Business Category

■ Manufacturing	44.2%
■ Wholesale and Retail Trade	6.5%
■ Financial Services.....	8.6%
■ Business & Professional Services.....	10.8%
■ Other Services	29.1%
■ Total Services.....	54.9%
■ Unclassified and Unclassifiable Establishments	9.0%

Annual Sales (or operating budget, if nonprofit)

■ Under \$10 million	8.0%
■ \$10-\$49 million	26.5%
■ \$50-\$249 million	34.1%
■ \$250-\$499 million	10.8%
■ \$500 million or more	14.7%
■ Not Reported	5.9%

Total Number of Employees

■ Fewer than 100	5.8%
■ 100 to 499	33.5%
■ 500 to 2,499	40.2%
■ 2,500 to 9,999	15.6%
■ 10,000 or more	4.3%
■ Not Reported	1.0%

